

FINANCIAL AUDIT
INCLUDING THE PROVISIONS OF THE SINGLE AUDIT ACT
OF THE

STATE-FUNDED JUDICIAL OPERATIONS

October 1, 1998 through September 30, 2000

EXECUTIVE DIGEST

STATE-FUNDED JUDICIAL OPERATIONS

INTRODUCTION	This report contains the results of our financial audit*, including the provisions of the Single Audit* Act, of the State-Funded Judicial Operations for the period October 1, 1998 through September 30, 2000.
AUDIT PURPOSE	This financial audit of the State-funded judicial operations was conducted as part of the constitutional responsibility of the Office of the Auditor General and is required on a biennial basis by Act 251, P.A. 1986, to satisfy the requirements of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> .
BACKGROUND	The judicial system consists of three levels of courts and other judicial agencies. The courts include the Supreme Court, the Court of Appeals, and State trial courts. Trial courts consist of circuit, district, and probate courts. The Court of Claims resides in the 30th Circuit Court (Ingham County) and has jurisdiction limited to hearing claims against the State of Michigan. Other judicial agencies include the State Court Administrative Office, State Appellate Defender Office, Michigan Appellate Assigned Counsel System, Michigan Judicial Institute, and Judicial Tenure Commission.

* See glossary at end of report for definition.

The finance department of the Supreme Court maintains the accounting records for all revenue and expenditures involving State funds, including federal grant money. Various courts and other judicial agencies are the federal grant recipients, and they administer the federal grant programs.

For the fiscal year ended September 30, 2000, revenue totaled \$56,459,483 and expenditures and operating transfers out totaled \$223,021,912 for the State-funded judicial operations. State General Fund appropriations provide the primary funding for expenditures in excess of revenue collections.

As of September 30, 2000, the State-funded judicial operations had 1,047 employees, which included all judges, except probate judges, for the various trial and appellate courts.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To audit the State-funded judicial operations' financial schedules and to examine the supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the financial schedules for the fiscal years ended September 30, 2000 and September 30, 1999.

Conclusion: We expressed an unqualified opinion* on the State-funded judicial operations' financial schedules. In addition, we expressed an unqualified opinion on the State-funded judicial operations' supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the financial schedules taken as a whole.

* See glossary at end of report for definition.

Audit Objective: To assess and report on the State-funded judicial operations' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules, and on internal control* over financial reporting, based on our audit of the financial schedules.

Conclusion: Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses*.

Audit Objective: To assess and report on the State-funded judicial operations' compliance with requirements applicable to each major federal program and on internal control over compliance in accordance with OMB Circular A-133.

Conclusion: We issued an unqualified opinion on the State-funded judicial operations' compliance with requirements applicable to all major federal programs except Temporary Assistance for Needy Families, for which we issued an adverse opinion*. Our assessment disclosed an instance of noncompliance related to Foster Care Review Board activities that is required to be reported under OMB Circular A-133 (Finding 1). However, our assessment of internal control over compliance applicable to each major federal program did not disclose any material weaknesses.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the State-funded judicial operations for the

* See glossary at end of report for definition.

period October 1, 1998 through September 30, 2000. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

AGENCY RESPONSE
AND PRIOR AUDIT
FOLLOW-UP

Our audit report contains one finding and recommendation. The State-funded judicial operations' corrective action plan indicates that the Judiciary agrees with the finding and has complied with the recommendation.

As disclosed in the State-funded judicial operations' summary schedule of prior audit findings, the Judiciary fully corrected all 6 prior Single Audit findings.

June 8, 2001

The Honorable Maura D. Corrigan
Chief Justice of the Supreme Court of Michigan
G. Mennen Williams Building
Lansing, Michigan

Dear Chief Justice Corrigan:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the State-Funded Judicial Operations for the period October 1, 1998 through September 30, 2000.

This report contains our executive digest; description of entity; audit objectives and conclusions, audit scope, and agency response and prior audit follow-up; schedule of findings and questioned costs; and independent auditor's reports on the financial schedules, on compliance and on internal control over financial reporting, and on compliance with requirements applicable to each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133. This report also contains the State-funded judicial operations' financial schedules and notes to the financial schedules, supplemental financial schedules, other schedules, and a glossary of acronyms and terms.

Our finding and recommendation are contained in Section III of the schedule of findings and questioned costs. The agency response is contained in Section III and in the corrective action plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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TABLE OF CONTENTS

STATE-FUNDED JUDICIAL OPERATIONS

INTRODUCTION

	<u>Page</u>
Executive Digest	1
Report Letter	5
Description of Entity	9
Audit Objectives and Conclusions, Audit Scope, and Agency Response and Prior Audit Follow-Up	13

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results	16
Section II: Findings Related to the Financial Schedules	17
Section III: Findings and Questioned Costs Related to Federal Awards	18
1. Foster Care Review Board Activities	18

INDEPENDENT AUDITOR'S REPORTS AND FINANCIAL SCHEDULES

Independent Auditor's Report on the Financial Schedules	20
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting	22
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	24
State-Funded Judicial Operations Financial Schedules	
Schedule of General Fund Revenues	26
Schedule of Sources and Disposition of General Fund Authorizations	27
Notes to the Financial Schedules	28

SUPPLEMENTAL FINANCIAL SCHEDULES

Schedule of Sources and Disposition of General Fund Authorizations by Appropriation Unit, Fiscal Year Ended September 30, 2000	32
Schedule of Sources and Disposition of General Fund Authorizations by Appropriation Unit, Fiscal Year Ended September 30, 1999	38
Schedule of Expenditures of Federal Awards	44

OTHER SCHEDULES

Summary Schedule of Prior Audit Findings	47
Corrective Action Plan	49

GLOSSARY

Glossary of Acronyms and Terms	50
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Description of Entity

OVERVIEW

The judicial branch of government within the State of Michigan is provided for by Article VI of the State Constitution. The judicial system consists of three levels of courts and other judicial agencies. The courts include the Supreme Court, the Court of Appeals, and State trial courts. Trial courts consist of circuit, district, and probate courts. The Court of Claims resides in the 30th Circuit Court (Ingham County) and has jurisdiction limited to hearing claims against the State of Michigan. Each of the different courts performs a certain role within the judicial branch according to the jurisdiction given to it by the State Constitution and by statute.

Act 374, P.A. 1996, significantly changed the organization and funding of the State's courts. Major portions of the Act were effective on October 1, 1996. The Act changed the State Court Fund funding formula and created the Court Equity Fund to provide funding to counties for trial courts. The Act also created a Hold Harmless Fund to provide supplemental support for certain counties and cities. In addition, the Act abolished the Detroit Recorder's Court and merged its functions with the 3rd Circuit Court, requiring Wayne County to operate and maintain the court. The Act also eliminated certain State and City of Detroit funding and revenue collection obligations related to the 36th District Court. As a result, the operation and maintenance of that court became the responsibility of the City of Detroit. Further, the Act revised the method of determining judges' salaries and provided for 100% State funding of those salaries.

For this report, the audit entity represents the portion of the judicial branch financial transactions that is funded by State appropriations and is accounted for in the State's General Fund. The schedule of sources and dispositions of General Fund authorizations by appropriation unit provides more detail regarding the courts and judicial agencies included in the audit entity. State appropriations are used to pay all or a portion of the salaries of the judges in each court throughout the State.

For the fiscal year ended September 30, 2000, revenue totaled \$56,459,483 and expenditures and operating transfers out totaled \$223,021,912 for State-funded judicial operations. State General Fund appropriations provide the primary funding for expenditures in excess of revenue collections.

As of September 30, 2000, the State-funded judicial operations had 1,047 employees, which included all judges, except probate judges, for the various trial and appellate courts.

COURTS

Supreme Court

The Supreme Court is the highest court in the State. The Supreme Court hears cases on appeal from other State courts and has original jurisdiction over certain matters. It is also responsible for the general administrative supervision of and the establishment of rules for practice and procedure in all courts in the State. Seven justices and an administrative staff make up the Supreme Court. Supreme Court operations are funded by State appropriations. The finance department of the Supreme Court maintains the accounting records for all revenue and expenditures involving State funds, including federal grant money. Various courts and other judicial agencies are the federal grant recipients, and they administer the federal grant programs.

Court of Appeals

The Court of Appeals is the second highest court in the State, hearing cases on appeal from lower courts. Panels consisting of three judges each hear cases in Lansing, Detroit, Grand Rapids, and Marquette. As of September 30, 2000, the Court of Appeals had 28 judges and its operations were funded by State appropriations.

Circuit Courts

Circuit courts are referred to as the trial court of general jurisdiction because of their broad powers. Generally, circuit courts have original jurisdiction in all civil cases involving more than \$25,000 and in all felony criminal cases. The circuit courts also have a family division which consists of domestic relations cases, including divorce and paternity actions, and juvenile proceedings, including abuse/neglect, delinquency, and adoptions. In addition to the circuit court judges, probate court judges are assigned to hear cases in the family division, pursuant to the family division implementation plans. The Friend of the Court is a component of each circuit court and facilitates court orders related to divorce and paternity. Circuit courts are responsible for hearing cases in one or more counties. Circuit courts receive State-appropriated funding for judges' salaries and a portion of the operating costs. The counties provide funding for the remaining operating costs. As of September 30, 2000, there were 57 circuit courts with a total of 210 judges.

Court of Claims

The Court of Claims resides in the 30th Circuit Court (Ingham County) and has jurisdiction limited to hearing claims against the State of Michigan. The Court of Claims receives State-appropriated funding for judges' salaries and operational costs.

District Courts

District courts have jurisdiction over all civil litigations up to \$25,000 and also handle garnishments, eviction proceedings, land contracts, and mortgage foreclosures. In addition, district courts handle preliminary examinations in felony cases and handle all misdemeanors in which punishment does not exceed one year in jail. District courts include small claims divisions and make use of magistrates. Areas covered by district courts, which include cities, townships, and other municipalities, are defined by statute. District courts receive State-appropriated funding for judges' salaries. The local governmental units provide funding for other operating costs. As of September 30, 2000, there were 104 district courts with a total of 259 judges.

Probate Courts

Probate courts exercise jurisdiction in the supervision of probating wills and the administration of estates and trusts. Also, probate courts hear cases pertaining to guardianships and conservatorships. Probate court judges are also assigned to hear cases in the family division of the circuit court, pursuant to the family division implementation plans. Probate courts are responsible for hearing cases in one or more counties. Probate courts receive State-appropriated funding for judges' salaries, and the counties provide funding for other operating costs. As of September 30, 2000, there were 78 probate courts and 106 judges.

OTHER JUDICIAL AGENCIES

These judicial agencies are funded with State appropriations:

- a. State Court Administrative Office - This Office supervises and examines the administration of the courts, monitors court calendars, prepares State funding budget requests, and collects and compiles statistical and other court-related data.
- b. State Appellate Defender Office - This Office, which is governed by the State Appellate Defender Commission, provides legal counsel for indigent defendant appellate cases.

- c. Michigan Appellate Assigned Counsel System - This System, which is governed by the State Appellate Defender Commission, administers a Statewide roster of attorneys who are eligible and willing to accept criminal appellate defense assignments for indigent defendants and provides continuing legal education for those attorneys.
- d. Michigan Judicial Institute - This Institute is responsible for the continuing legal education of all Michigan judges and court-related personnel.
- e. Judicial Tenure Commission - This Commission investigates complaints against judges and may recommend disciplinary action to the Supreme Court.

Audit Objectives and Conclusions, Audit Scope,
and Agency Response and Prior Audit Follow-Up

Audit Objectives and Conclusions

Our financial audit, including the provisions of the Single Audit Act, of the State-Funded Judicial Operations had the following objectives:

1. To audit the State-funded judicial operations' financial schedules and to examine the supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the financial schedules for the fiscal years ended September 30, 2000 and September 30, 1999.

We expressed an unqualified opinion on the State-funded judicial operations' financial schedules. In addition, we expressed an unqualified opinion on the State-funded judicial operations' supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the financial schedules taken as a whole.

2. To assess and report on the State-funded judicial operations' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules, and on internal control over financial reporting, based on our audit of the financial schedules.

Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses.

3. To assess and report on the State-funded judicial operations' compliance with requirements applicable to each major federal program and on internal control over compliance in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.

We issued an unqualified opinion on the State-funded judicial operations' compliance with requirements applicable to all major federal programs except for Temporary Assistance for Needy Families, for which we issued an

adverse opinion. Our assessment disclosed an instance of noncompliance related to Foster Care Review Board activities that is required to be reported under OMB Circular A-133 (Finding 1). **However, our assessment of internal control over compliance applicable to each major federal program did not disclose any material weaknesses.**

The finding related to our assessment of compliance and internal control over compliance applicable to each major federal program is contained in Section III of the schedule of findings and questioned costs*.

Audit Scope

Our audit scope was to examine the financial and other records of the State-funded judicial operations for the period October 1, 1998 through September 30, 2000. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

We considered the State-funded judicial operations' internal control over compliance applicable to each major federal program and assessed the State-funded judicial operations' compliance with federal laws and regulations in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, in addition to auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, we followed up on the State-funded judicial operations' summary schedule of prior audit findings. The State-funded judicial operations' major federal programs are identified in Section I of the schedule of findings and questioned costs.

Agency Response and Prior Audit Follow-Up

Our audit report contains one finding and recommendation. The State-funded judicial operations' corrective action plan indicates that the Judiciary agrees with the finding and has complied with the recommendation.

* See glossary at end of report for definition.

The State-funded judicial operations' corrective action plan, which is included in this report, was prepared by the Judiciary as required by OMB Circular A-133.

As disclosed in the State-funded judicial operations' summary schedule of prior audit findings, the Judiciary fully corrected all 6 prior Single Audit findings.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Schedules

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions* identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial schedules?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	
Unqualified for all major programs except for Temporary Assistance for Needy Families, which is adverse.	
Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133, Section 510(a)?	Yes

* See glossary at end of report for definition.

Identification of major programs:

<i>CFDA</i> Number	Name of Federal Program or Cluster
20.600 and 20.601	Highway Safety Cluster
16.554	National Criminal History Improvement Program
93.586	State Court Improvement Program
93.558	Temporary Assistance for Needy Families
93.597	Grants to States for Access and Visitation Programs

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee*? No

Section II: Findings Related to the Financial Schedules

We did not report any findings related to the financial schedules.

The status of the findings related to the financial schedules that were reported in prior Single Audits is disclosed in the summary schedule of prior audit findings.

* See glossary at end of report for definition.

Section III: Findings and Questioned Costs Related to Federal Awards

FINDING (050101)

1. Foster Care Review Board Activities

U.S. Department of Health and Human Services	CFDA: 93.558 Temporary Assistance for Needy Families
Award Number: IA 00-002	Award Period: 1/1/98 - indefinite
Pass-Through From Family Independence Agency	Questioned Costs: \$816,160

In accordance with the grant agreement with the Family Independence Agency (FIA), the Judiciary charged the continuation costs of expanding its Foster Care Review Board (FCRB) activities to Temporary Assistance for Needy Families (TANF) federal grants. These costs were identified as questioned costs under the TANF regulations.

Federal regulations describe the activities that are allowable charges to the TANF grant. The grant funds must be used for eligible needy families with a child and for one of the four purposes of the program. The purposes are: to provide assistance to needy families; to end dependence of needy parents by promoting job preparation, work, and marriage; to prevent and reduce out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families.

FCRBs were created to improve children's foster care throughout the State. The review boards assess the cases of children who are in foster care because of abuse or neglect and make advisory recommendations to the courts, which maintain final decision-making authority. These activities do not meet the criteria for activities allowed by TANF regulations.

The Judiciary received TANF grants of \$482,473 and \$333,687 through FIA for fiscal years 1998-99 and 1999-2000, respectively. The grant agreement between the Judiciary and FIA had two parts. One part was for the continuation of the original FCRB Program that would be funded from federal Title IV-E funds. The other part was for the continuation of the expanded FCRB Program to include all

counties within the State, and this would be funded from federal TANF funds. This part of the agreement should not have been funded from federal TANF funds. The Judiciary informed us that it considered the activities allowable because of the grant agreement and assurances that it received from FIA.

This noncompliance with federal regulations could result in disallowed costs of \$816,160 for the fiscal year 1998-99 and 1999-2000 costs of the continuation of the expanded FCRB Program.

RECOMMENDATION

We recommend that the Judiciary request FIA to provide appropriate federal funds to cover the costs of the expanded FCRB activities.

AGENCY RESPONSE

The Judiciary agrees with the recommendation and informed us that its current fiscal year 2000-01 agreement with FIA provides federal Title IV -E funding to cover the costs associated with the expanded FCRB activities.

The status of the findings related to federal awards that were reported in prior Single Audits is disclosed in the summary schedule of prior audit findings.

Independent Auditor's Report on
the Financial Schedules

March 2, 2001

The Honorable Maura D. Corrigan
Chief Justice of the Supreme Court of Michigan
G. Mennen Williams Building
Lansing, Michigan

Dear Chief Justice Corrigan:

We have audited the accompanying schedule of General Fund revenue and the schedule of sources and disposition of General Fund authorizations of the State-funded judicial operations for the fiscal years ended September 30, 2000 and September 30, 1999. These financial schedules are the responsibility of the State-funded judicial operations' management. Our responsibility is to express an opinion on these financial schedules based on our audit. The financial transactions of the State-funded judicial operations are accounted for principally in the General Fund of the State of Michigan.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1b, the accompanying financial schedules include only the revenue and the sources and disposition of authorizations for the State-funded judicial operations' General Fund accounts, presented on the modified accrual basis of accounting. Accordingly, these financial schedules are not intended to constitute a complete financial presentation of either the State-funded judicial operations or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenue and the sources and disposition of authorizations of the State-funded judicial operations for the fiscal years ended September 30, 2000 and September 30, 1999, on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 2, 2001 on our tests of the State-funded judicial operations' compliance with certain provisions of laws, regulations, contracts, and grants and on our consideration of its internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of federal awards, required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and other supplemental financial schedules, consisting of the schedules of sources and disposition of General Fund authorizations by appropriation unit, are presented for purposes of additional analysis and are not a required part of the State-funded judicial operations' financial schedules referred to in the first paragraph. Such information has been subjected to the auditing procedures applied in the audit of the financial schedules and, in our opinion, is fairly stated, in all material respects, in relation to the financial schedules taken as a whole.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

Independent Auditor's Report on Compliance and
on Internal Control Over Financial Reporting

March 2, 2001

The Honorable Maura D. Corrigan
Chief Justice of the Supreme Court of Michigan
G. Mennen Williams Building
Lansing, Michigan

Dear Chief Justice Corrigan:

We have audited the General Fund financial schedules of the State-funded judicial operations for the fiscal years ended September 30, 2000 and September 30, 1999 and have issued our report thereon dated March 2, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State-funded judicial operations' financial schedules are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State-funded judicial operations' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to

the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the State-funded judicial operations' management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in
Accordance With OMB Circular A-133

March 2, 2001

The Honorable Maura D. Corrigan
Chief Justice of the Supreme Court of Michigan
G. Mennen Williams Building
Lansing, Michigan

Dear Chief Justice Corrigan:

Compliance

We have audited the compliance of the State-funded judicial operations with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each major federal program for the fiscal years ended September 30, 2000 and September 30, 1999. The State-funded judicial operations' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of the State-funded judicial operations' management. Our responsibility is to express an opinion on the State-funded judicial operations' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the previous paragraph that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State-funded judicial operations' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State-funded judicial operations' compliance with those requirements.

As described in Finding 1 in the accompanying schedule of findings and questioned costs, the State-funded judicial operations' did not comply with requirements regarding activities allowed or unallowed that are applicable to its Temporary Assistance for Needy Families program. Compliance with such requirements is necessary, in our opinion, for the State-funded judicial operations to comply with the requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the previous paragraph, the State-funded judicial operations did not comply in all material respects, with the requirements referred to in the third previous paragraph that are applicable to the Temporary Assistance for Needy Families program. Also, in our opinion, the State-funded judicial operations complied, in all material respects, with the requirements referred to in the third previous paragraph that are applicable to each of its other major federal programs for the fiscal years ended September 30, 2000 and September 30, 1999.

Internal Control Over Compliance

The management of the State-funded judicial operations is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State-funded judicial operations' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to the major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the State-funded judicial operations' management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

STATE-FUNDED JUDICIAL OPERATIONS
Schedule of General Fund Revenues
Fiscal Years Ended September 30

	<u>2000</u>	<u>1999</u>
REVENUES		
Court-generated revenue:		
State Court Fund	\$ 6,696,969	\$ 6,466,731
Court Equity Fund	33,187,291	32,276,254
Court Fee Fund	5,832,775	5,654,805
Other court-generated revenue	1,473,532	1,517,800
Federal revenue	2,043,541	1,362,823
From services	2,100,684	1,946,500
From licenses and permits	2,076,368	1,929,843
Miscellaneous	<u>3,048,323</u>	<u>5,364,262</u>
Total Revenues	<u>\$ 56,459,483</u>	<u>\$ 56,519,018</u>

The accompanying notes are an integral part of the financial schedules.

STATE-FUNDED JUDICIAL OPERATIONS
Schedule of Sources and Disposition of General Fund Authorizations
Fiscal Years Ended September 30

	<u>2000</u>	<u>1999</u>
SOURCES OF AUTHORIZATIONS		
General purpose appropriations (Note 2a)	\$ 165,882,900	\$ 157,099,300
Budgetary transfers in (out)		30,189
Balances carried forward (Note 2b)	17,610,706	16,351,528
Restricted financing sources (Note 2c)	56,147,076	54,390,811
Less: Intrafund expenditure reimbursements	<u>(22,316)</u>	
Total	<u>\$ 239,618,366</u>	<u>\$ 227,871,828</u>
DISPOSITION OF AUTHORIZATIONS		
Gross expenditures and operating transfers out	\$ 223,044,228	\$ 210,076,397
Less: Intrafund expenditure reimbursements	<u>(22,316)</u>	
Net expenditures and operating transfers out	<u>\$ 223,021,912</u>	<u>\$ 210,076,397</u>
Balances carried forward:		
Multi-year projects	\$ 10,318,451	\$ 12,509,277
Encumbrances	2,151,694	1,565,468
Restricted revenue - not authorized	<u>3,470,145</u>	<u>3,535,961</u>
Total balances carried forward	<u>\$ 15,940,290</u>	<u>\$ 17,610,706</u>
Balances lapsed:		
Current year appropriations	\$ 276,637	\$ 104,303
Prior years' appropriations	<u>379,527</u>	<u>80,422</u>
Total Balances lapsed	<u>\$ 656,164</u>	<u>\$ 184,725</u>
Total	<u>\$ 239,618,366</u>	<u>\$ 227,871,828</u>

The accompanying notes are an integral part of the financial schedules.

Notes to the Financial Schedules

Note 1 Significant Accounting Policies

a. Reporting Entity

The accompanying financial schedules report the results of the financial transactions of the State-funded judicial operations for the fiscal years ended September 30, 2000 and September 30, 1999. The financial transactions of the State-funded judicial operations are accounted for principally in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*.

The notes accompanying these financial schedules relate directly to the State-funded judicial operations. The *SOMCAFR* provides more extensive general disclosures regarding the State's Summary of Significant Accounting Policies, Budgeting and Budgetary Control, Pension Benefits and Other Postemployment Benefits, and Compensated Absences.

b. Basis of Accounting and Presentation

The financial schedules contained in this report are prepared on the modified accrual basis of accounting, as provided by accounting principles generally accepted in the United States of America for governmental funds. The modified accrual basis of accounting, which emphasizes the measurement of current financial resource flows, is explained in more detail in the *SOMCAFR*.

The accompanying financial schedules include only the revenue and the sources and disposition of authorizations for the State-funded judicial operations' General Fund accounts. Accordingly, these financial schedules are not intended to constitute a complete financial presentation of either the State-funded judicial operations or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

Note 2 Schedule of Sources and Disposition of General Fund Authorizations

The various elements of the schedule of sources and disposition of General Fund authorizations are defined as follows:

- a. General purpose appropriations: Original appropriations and any supplemental appropriations that are financed by General Fund/general purpose revenue.
- b. Balances carried forward: Authorizations for multi-year projects, encumbrances, restricted revenue - authorized, and restricted revenue - not authorized that were not spent as of the end of the prior fiscal year. These authorizations are available for expenditure in the current fiscal year for the purpose of the carry-forward without additional legislative authorization, except for the restricted revenue - not authorized.
- c. Restricted financing sources: Collections of restricted revenues, restricted operating transfers, and restricted intrafund expenditure reimbursements to finance programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount appropriated. Depending upon program statute, any amounts received in excess of the appropriation are, at year-end, either converted to general purpose financing sources and made available for general appropriation in the next fiscal year or carried forward to the next fiscal year as either restricted revenue - authorized or restricted revenue - not authorized.

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SUPPLEMENTAL FINANCIAL SCHEDULES

STATE-FUNDED JUDICIAL OPERATIONS

Schedule of Sources and Disposition of General Fund Authorizations by Appropriation Unit
Fiscal Year Ended September 30, 2000

Appropriation Unit	General Purpose Appropriations	Budgetary Transfers In (Out)	Balances Carried Forward	Restricted Financing Sources
<u>SUPREME COURT</u>				
Supreme Court Administration:				
General purpose	\$ 13,185,900	\$	\$	\$
Law examination fees				277,190
Miscellaneous restricted				30,900
Total Supreme Court Administration	<u>\$ 13,185,900</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 308,090</u>
Judicial Institute:				
General purpose	\$ 1,992,000	\$ (250,000)	\$	\$
IDG from MSP - Michigan Justice Training Fund				115,206
DOT - National Highway Safety Traffic Administration				100,000
Miscellaneous restricted				26,520
DOJ - Victims Assistance Programs				22,316
Total Judicial Institute	<u>\$ 1,992,000</u>	<u>\$ (250,000)</u>	<u>\$ 0</u>	<u>\$ 264,042</u>
State Court Administrative Office:				
General purpose	\$ 5,949,000	\$ (138,035)	\$	\$
HHS - Title IV-D Child Support Program				289,823
HHS - Court Improvement Project				284,924
Miscellaneous restricted				115,831
Private - Interest on lawyers' trust accounts				184,150
HHS - Access and Visitation Grant				200,984
Total State Court Administrative Office	<u>\$ 5,949,000</u>	<u>\$ (138,035)</u>	<u>\$ 0</u>	<u>\$ 1,075,712</u>
Judicial Information Systems:				
General purpose	\$ 2,623,700	\$ 439,162	\$	\$
IDG from MSP - Criminal Justice Improvement				558,652
Total Judicial Information Systems	<u>\$ 2,623,700</u>	<u>\$ 439,162</u>	<u>\$ 0</u>	<u>\$ 558,652</u>
Direct Trial Court Automation Support:				
Local user fees	\$	\$	\$	\$ 2,100,684
Total Direct Trial Court Automation Support	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,100,684</u>
State Court Fund:				
State Court Fund	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 279,040</u>
Total State Court Fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 279,040</u>
Foster Care Review Board:				
General purpose	\$ 422,000	\$	\$	\$
HHS - Title IV-E Foster Care Program				144,726
HHS - Temporary Assistance for Needy Families				333,687
Total Foster Care Review Board	<u>\$ 422,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 478,413</u>
Community Dispute Resolution:				
General purpose	\$ 572,000	\$	\$	\$
Community dispute resolution fees			1,564,189	1,488,973

This schedule continued on next page.

<u>Expenditures and Operating Transfers Out</u>	<u>Multi-Year Projects</u>	<u>Encumbrances</u>	<u>Restricted Revenue - Not Authorized</u>	<u>Balances Lapsed</u>
\$ 12,884,403	\$	\$ 293,409	\$	\$ 8,089
277,190				
30,900				
<u>\$ 13,192,493</u>	<u>\$ 0</u>	<u>\$ 293,409</u>	<u>\$ 0</u>	<u>\$ 8,089</u>
\$ 1,605,376	\$	\$ 38,335	\$	\$ 98,289
115,206				
100,000				
26,520				
22,316				
<u>\$ 1,869,418</u>	<u>\$ 0</u>	<u>\$ 38,335</u>	<u>\$ 0</u>	<u>\$ 98,289</u>
\$ 5,561,308	\$	\$ 249,657	\$	\$
289,823				
284,924				
115,831				
184,150				
200,984				
<u>\$ 6,637,020</u>	<u>\$ 0</u>	<u>\$ 249,657</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,478,976	\$	\$ 582,143	\$	\$ 1,744
558,652				
<u>\$ 3,037,628</u>	<u>\$ 0</u>	<u>\$ 582,143</u>	<u>\$ 0</u>	<u>\$ 1,744</u>
\$ 1,629,032	\$	\$	\$ 471,652	\$
<u>\$ 1,629,032</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 471,652</u>	<u>\$ 0</u>
\$ 279,040	\$	\$	\$	\$
<u>\$ 279,040</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 422,000	\$	\$	\$	\$
144,726				
333,687				
<u>\$ 900,413</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 572,000	\$	\$	\$	\$
1,449,819			1,603,343	

STATE-FUNDED JUDICIAL OPERATIONS

Schedule of Sources and Disposition of General Fund Authorizations by Appropriation Unit

Fiscal Year Ended September 30, 2000

Continued

Appropriation Unit	General Purpose Appropriations	Budgetary Transfers In (Out)	Balances Carried Forward	Restricted Financing Sources
USDA - Agriculture Mediation Grant	\$	\$	\$	\$ 64,796
DOE - Special Education Grant				61,378
Total Community Dispute Resolution	\$ 572,000	\$ 0	\$ 1,564,189	\$ 1,615,146
Implementation of Commercial Motor Vehicle Legislation:				
General purpose	\$ 1,650,000	\$	\$	\$
Total Implementation of Commercial Motor Vehicle Legislation	\$ 1,650,000	\$ 0	\$ 0	\$ 0
Total Supreme Court	\$ 26,394,600	\$ 51,127	\$ 1,564,189	\$ 6,679,780
<u>COURT OF APPEALS</u>				
Court of Appeals operations	\$ 17,106,000	\$	\$	\$
Court filing/motion fees				1,473,532
Miscellaneous restricted				18,448
Delay reduction	950,000			
Total Court of Appeals	\$ 18,056,000	\$ 0	\$ 0	\$ 1,491,980
<u>JUSTICES' AND JUDGES' COMPENSATION</u>				
Supreme Court justices' salaries	\$ 975,100	\$ 4,633	\$	\$
Court of Appeals judges' salaries	3,588,400	(522)		
District court judges' State base salaries	18,463,700	(1,634)		
District court judicial salary standardization	11,842,500	(82,873)		
Probate court judges' State base salaries	5,852,429	(140,760)		
Probate court judges' salaries - Court Fee Fund				1,176,671
Probate court judicial salary standardization	3,607,489	4,092		
Probate court judicial salary standardization - Court Fee Fund				725,311
Circuit court judges' State base salaries	13,018,149	(75,913)		
Circuit court judges' salaries - Court Fee Fund				2,618,851
Circuit court judicial salary standardization	7,683,233	328,151		
Circuit court judicial salary standardization - Court Fee Fund				1,544,767
OASI - Social Security	4,002,600	(86,302)		
Judges' Retirement System defined contributions	2,204,900			
Total Justices' and Judges' Compensation	\$ 71,238,500	\$ (51,127)	\$ 0	\$ 6,065,600
<u>JUDICIAL AGENCIES</u>				
Judicial Tenure Commission	\$ 953,700	\$	\$	\$
Total Judicial Agencies	\$ 953,700	\$ 0	\$ 0	\$ 0
<u>INDIGENT DEFENSE - CRIMINAL</u>				
Appellate Public Defender Program:				
General purpose	\$ 4,128,300	\$	\$	\$
IDG from MSP - Michigan Justice Training Fund				174,537
Miscellaneous revenue				100,576
Private - Interest on lawyers' trust accounts				32,549

This schedule continued on next page.

Expenditures and Operating Transfers Out	Multi-Year Projects	Encumbrances	Restricted Revenue - Not Authorized	Balances Lapsed
\$ 64,796	\$	\$	\$	\$
61,378				
<u>\$ 2,147,992</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,603,343</u>	<u>\$ 0</u>
\$	\$ 1,650,000	\$	\$	\$
0	1,650,000	0	0	0
<u>\$ 29,693,037</u>	<u>\$ 1,650,000</u>	<u>\$ 1,163,543</u>	<u>\$ 2,074,995</u>	<u>\$ 108,122</u>
\$ 16,529,959	\$	\$ 561,678	\$	\$ 14,364
1,473,532				
18,448				
950,000				
<u>\$ 18,971,939</u>	<u>\$ 0</u>	<u>\$ 561,678</u>	<u>\$ 0</u>	<u>\$ 14,364</u>
\$ 979,733	\$	\$	\$	\$
3,587,878				
18,462,066				
11,759,627				
5,711,669				
1,176,671				
3,611,581				
725,311				
12,942,236				
2,618,851				
8,011,384				
1,544,767				
3,916,298				
2,204,900				
<u>\$ 77,252,973</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 816,008	\$	\$	\$	\$ 137,692
816,008	0	0	0	137,692
\$ 4,125,303	\$	\$	\$	\$ 2,997
174,537				
100,576				
32,549				

STATE-FUNDED JUDICIAL OPERATIONS

Schedule of Sources and Disposition of General Fund Authorizations by Appropriation Unit

Fiscal Year Ended September 30, 2000

Continued

Appropriation Unit	General Purpose Appropriations	Budgetary Transfers In (Out)	Balances Carried Forward	Restricted Financing Sources
Appellate Assigned Council Administration:				
General purpose	\$ 765,400	\$	\$	\$
IDG from MSP - Michigan Justice Training Fund				4,000
Total Indigent Defense - Criminal	<u>\$ 4,893,700</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 311,661</u>
INDIGENT CIVIL LEGAL ASSISTANCE				
Indigent Civil Legal Assistance - State Court Fund	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 6,417,929</u>
Total Indigent Civil Legal Assistance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,417,929</u>
TRIAL COURT OPERATIONS				
Court Equity Fund reimbursement - General purpose	\$ 33,796,400	\$	\$	\$
Court Equity Fund reimbursement - Court Equity Fund				33,187,291
Court Equity Fund reimbursement - Court Fee Fund			1,120,475	(232,825)
Hold Harmless Fund reimbursement - General purpose	8,000,000			
General purpose	2,300,000			
27th District Court - General purpose	250,000			
Total Trial Court Operations	<u>\$ 44,346,400</u>	<u>\$ 0</u>	<u>\$ 1,120,475</u>	<u>\$ 32,954,466</u>
GRANTS/REIMBURSEMENTS				
Drunk Driving and Drug Caseflow Programs				
Drunk Driving Fund	\$	\$	\$ 434,953	\$ 2,021,305
Drug Fund			148	204,355
Total Grants/Reimbursements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 435,102</u>	<u>\$ 2,225,660</u>
Total State-Funded Judicial Operations - Current Year	\$ 165,882,900	\$ 0	\$ 3,119,766	\$ 56,147,076
Carry-forwards from appropriation year 1994-95			17,089	
Carry-forwards from appropriation year 1997-98			8,872,478	
Carry-forwards from appropriation year 1998-99			5,601,373	
Total State-Funded Judicial Operations	<u>\$ 165,882,900</u>	<u>\$ 0</u>	<u>\$ 17,610,706</u>	<u>\$ 56,147,076</u>

<u>Expenditures and Operating Transfers Out</u>	<u>Multi-Year Projects</u>	<u>Encumbrances</u>	<u>Restricted Revenue - Not Authorized</u>	<u>Balances Lapsed</u>
\$ 707,537	\$	\$ 44,400	\$	\$ 13,463
4,000				
<u>\$ 5,144,501</u>	<u>\$ 0</u>	<u>\$ 44,400</u>	<u>\$ 0</u>	<u>\$ 16,460</u>
\$ 6,417,929	\$	\$	\$	\$
\$ 6,417,929	\$ 0	\$ 0	\$ 0	\$ 0
\$ 33,796,400	\$	\$	\$	\$
33,187,291				
			887,650	
7,716,500	283,500			
	2,300,000			
	250,000			
<u>\$ 74,700,191</u>	<u>\$ 2,833,500</u>	<u>\$ 0</u>	<u>\$ 887,650</u>	<u>\$ 0</u>
\$ 2,000,000	\$	\$	\$ 456,258	\$
199,730			4,774	
<u>\$ 2,199,730</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 461,032</u>	<u>\$ 0</u>
\$ 215,196,307	\$ 4,483,500	\$ 1,769,621	\$ 3,423,677	\$ 276,637
				17,089
6,249,448	2,300,434	111,712		210,884
1,598,473	3,534,516	270,362	46,468	151,554
<u>\$ 223,044,228</u>	<u>\$ 10,318,451</u>	<u>\$ 2,151,694</u>	<u>\$ 3,470,145</u>	<u>\$ 656,164</u>

STATE-FUNDED JUDICIAL OPERATIONS

Schedule of Sources and Disposition of General Fund Authorizations by Appropriation Unit
Fiscal Year Ended September 30, 1999

Appropriation Unit	General Purpose Appropriations	Budgetary Transfers In (Out)	Balances Carried Forward	Restricted Financing Sources
<u>SUPREME COURT</u>				
Supreme Court Administration:				
General purpose	\$ 14,002,100	\$ 90,000	\$	\$
IDG from MSP - Michigan Justice Training Fund				195,243
Law examination fees				296,893
Miscellaneous restricted				72,306
Private - State Justice Institute				9,317
Total Supreme Court Administration	<u>\$ 14,002,100</u>	<u>\$ 90,000</u>	<u>\$ 0</u>	<u>\$ 573,759</u>
State Court Administrative Office:				
General purpose	\$ 5,639,700	\$ (250,000)	\$	\$
IDG from MSP - Criminal Justice Improvement				260,467
IDG from FIA - Title IV-D Child Support Program				349,869
HHS - Court Improvement Project				419,487
Miscellaneous restricted				111,966
Private - Interest on lawyers' trust accounts				187,737
IDG from FIA - HHS Access and Visitation Grant				198,267
Total State Court Administrative Office	<u>\$ 5,639,700</u>	<u>\$ (250,000)</u>	<u>\$ 0</u>	<u>\$ 1,527,793</u>
Judicial Information Systems:				
General purpose	<u>\$ 2,572,700</u>	<u>\$ 160,000</u>	<u>\$</u>	<u>\$</u>
Total Judicial Information Systems	<u>\$ 2,572,700</u>	<u>\$ 160,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Direct Trial Court Automation Support:				
Local user fees	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,946,500</u>
Total Direct Trial Court Automation Support	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,946,500</u>
State Court Fund:				
State Court Fund	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 271,843</u>
Total State Court Fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 271,843</u>
Foster Care Review Board:				
General purpose	\$ 383,700	\$	\$	\$
IDG from FIA - Title IV-E Foster Care Program				199,021
IDG from FIA - Temporary Assistance for Needy Families				482,473
Total Foster Care Review Board	<u>\$ 383,700</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 681,494</u>
Community Dispute Resolution:				
Community dispute resolution fees	\$	\$	\$ 1,806,709	\$ 1,190,371
USDA - Agriculture Mediation Grant				64,262
Federal - Special Education Grant				70,471
Total Community Dispute Resolution	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,806,709</u>	<u>\$ 1,325,104</u>
Total Supreme Court	<u>\$ 22,598,200</u>	<u>\$ 0</u>	<u>\$ 1,806,709</u>	<u>\$ 6,326,492</u>

This schedule continued on next page.

<u>Expenditures and Operating Transfers Out</u>	<u>Multi-Year Projects</u>	<u>Encumbrances</u>	<u>Restricted Revenue - Not Authorized</u>	<u>Balances Lapsed</u>
\$ 13,949,030	\$	\$ 143,053	\$	\$ 17
195,243				
296,893				
72,306				
9,317				
<u>\$ 14,522,789</u>	<u>\$ 0</u>	<u>\$ 143,053</u>	<u>\$ 0</u>	<u>\$ 17</u>
\$ 5,173,880	\$	\$ 215,243	\$	\$ 577
260,467				
349,869				
419,487				
111,966				
187,737				
198,267				
<u>\$ 6,701,673</u>	<u>\$ 0</u>	<u>\$ 215,243</u>	<u>\$ 0</u>	<u>\$ 577</u>
<u>\$ 2,126,873</u>	<u>\$</u>	<u>\$ 605,714</u>	<u>\$</u>	<u>\$ 113</u>
<u>\$ 2,126,873</u>	<u>\$ 0</u>	<u>\$ 605,714</u>	<u>\$ 0</u>	<u>\$ 113</u>
<u>\$ 1,530,305</u>	<u>\$</u>	<u>\$</u>	<u>\$ 416,195</u>	<u>\$</u>
<u>\$ 1,530,305</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 416,195</u>	<u>\$ 0</u>
<u>\$ 271,843</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$ 271,843</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
380,125	\$	\$ 3,250	\$	\$ 325
199,021				
482,473				
<u>\$ 1,061,620</u>	<u>\$ 0</u>	<u>\$ 3,250</u>	<u>\$ 0</u>	<u>\$ 325</u>
\$ 1,432,891	\$	\$	\$ 1,564,189	\$
64,262				
70,471				
<u>\$ 1,567,623</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,564,189</u>	<u>\$ 0</u>
<u>\$ 27,782,726</u>	<u>\$ 0</u>	<u>\$ 967,260</u>	<u>\$ 1,980,384</u>	<u>\$ 1,031</u>

STATE-FUNDED JUDICIAL OPERATIONS

Schedule of Sources and Disposition of General Fund Authorizations by Appropriation Unit

Fiscal Year Ended September 30, 1999

Continued

Appropriation Unit	General Purpose Appropriations	Budgetary Transfers In (Out)	Balances Carried Forward	Restricted Financing Sources
COURT OF APPEALS				
Court of Appeals Operations				
Court of Appeals operations	\$ 16,286,200	\$	\$	\$
Court filing/motion fees				1,517,800
Miscellaneous revenue				75,200
Delay reduction	1,500,000			
Total Court of Appeals	<u>\$ 17,786,200</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,593,000</u>
JUSTICES' AND JUDGES' COMPENSATION				
Supreme Court justices' salaries	\$ 925,800	\$ (3,200)	\$	\$
Court of Appeals judges' salaries	3,406,900	(24,000)		
District court judges' State base salaries	16,931,200	3,200		
District court judicial salary standardization	11,842,500	(47,000)		
Probate court judges' State base salaries	5,371,115	(158,000)		
Probate court judges' salaries - Court Fee Fund				1,180,785
Probate court judicial salary standardization	3,506,102			
Probate court judicial salary standardization - Court Fee Fund				826,698
Circuit court judges' State base salaries	11,931,985	(40,000)		
Circuit court judges' salaries - Court Fee Fund				2,615,815
Circuit court judicial salary standardization	7,467,298	198,000		
Circuit court judicial salary standardization - Court Fee Fund				1,760,702
OASI - Social Security	3,726,000	71,000		
Judges' Retirement System defined contributions	2,317,700			
Total Justices' and Judges' Compensation	<u>\$ 67,426,600</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,384,000</u>
JUDICIAL AGENCIES				
Judicial Tenure Commission	\$ 916,800	\$	\$	\$
Total Judicial Agencies	<u>\$ 916,800</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
INDIGENT DEFENSE - CRIMINAL				
Appellate Public Defender Program:				
General purpose	\$ 4,838,100	\$	\$	\$
IDG from MSP - Michigan Justice Training Fund				174,359
Miscellaneous revenue				79,828
Appellate Assigned Council Administration:				
General purpose	737,000			
IDG from MSP - Michigan Justice Training Funds				12,944
Miscellaneous revenue				2,134
Total Indigent Defense - Criminal	<u>\$ 5,575,100</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 269,265</u>
INDIGENT CIVIL LEGAL ASSISTANCE				
Indigent Civil Legal Assistance - State Court Fund	\$	\$	\$	\$ 6,194,888
Total Indigent Civil Legal Assistance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,194,888</u>

This schedule continued on next page.

<u>Expenditures and Operating Transfers Out</u>	<u>Multi-Year Projects</u>	<u>Encumbrances</u>	<u>Restricted Revenue - Not Authorized</u>	<u>Balances Lapsed</u>
\$ 16,065,061	\$	\$ 211,947	\$	\$ 9,193
1,517,800				
75,200				
1,500,000				
<u>\$ 19,158,061</u>	<u>\$ 0</u>	<u>\$ 211,947</u>	<u>\$ 0</u>	<u>\$ 9,193</u>
\$ 922,588	\$	\$	\$	\$ 12
3,373,168				9,732
16,934,325				75
11,794,530				970
5,212,696				419
1,180,785				
3,505,038				1,064
826,698				
11,869,447				22,538
2,615,815				
7,664,872				426
1,760,702				

STATE-FUNDED JUDICIAL OPERATIONS

Schedule of Sources and Disposition of General Fund Authorizations by Appropriation Unit

Fiscal Year Ended September 30, 1999

Continued

Appropriation Unit	General Purpose Appropriations	Budgetary Transfers In (Out)	Balances Carried Forward	Restricted Financing Sources
TRIAL COURT OPERATIONS				
Court Equity Fund reimbursement - General purpose	\$ 29,796,400	\$	\$	\$
Court Equity Fund reimbursement - Court Equity Fund			984,650	32,276,254
Court Equity Fund reimbursement - Court Fee Fund			1,849,670	(729,195)
Hold Harmless Fund reimbursement - General purpose	<u>12,000,000</u>			
Total Trial Court Operations	<u>\$ 41,796,400</u>	<u>\$ 0</u>	<u>\$ 2,834,319</u>	<u>\$ 31,547,060</u>
GRANTS/REIMBURSEMENTS				
Drunk Driving and Drug Caseflow Programs				
Drunk Driving Fund	\$	\$	\$ 444,487	\$ 1,890,467
General purpose	1,000,000		6,320	185,640
Drug Fund	<u></u>	<u></u>	<u></u>	<u></u>
Total Grants/Reimbursements	<u>\$ 1,000,000</u>	<u>\$ 0</u>	<u>\$ 450,807</u>	<u>\$ 2,076,107</u>
Total State-Funded Judicial Operations - Current Year	\$ 157,099,300	\$ 0	\$ 5,091,835	\$ 54,390,811
Carry-forwards from appropriation year 1994-95			191,910	
Carry-forwards from appropriation year 1995-96			66,540	
Carry-forwards from appropriation year 1996-97		6,501	214,099	
Carry-forwards from appropriation year 1997-98		<u>23,688</u>	<u>10,787,145</u>	
Total State-Funded Judicial Operations	<u>\$ 157,099,300</u>	<u>\$ 30,189</u>	<u>\$ 16,351,528</u>	<u>\$ 54,390,811</u>

<u>Expenditures and Operating Transfers Out</u>	<u>Multi-Year Projects</u>	<u>Encumbrances</u>	<u>Restricted Revenue - Not Authorized</u>	<u>Balances Lapsed</u>
\$ 29,796,400	\$	\$	\$	\$
33,260,904			1,120,475	
<u>9,007,999</u>	<u>2,992,001</u>			
<u>\$ 72,065,302</u>	<u>\$ 2,992,001</u>	<u>\$ 0</u>	<u>\$ 1,120,475</u>	<u>\$ 0</u>
\$ 1,900,000	\$	\$	\$ 434,953	\$
	1,000,000			
<u>191,812</u>			<u>148</u>	
<u>\$ 2,091,812</u>	<u>\$ 1,000,000</u>	<u>\$ 0</u>	<u>\$ 435,102</u>	<u>\$ 0</u>
\$ 207,756,504	\$ 3,992,001	\$ 1,193,177	\$ 3,535,961	\$ 104,303
159,158		17,089		15,663
66,540				
194,195				26,405
<u>1,900,001</u>	<u>8,517,275</u>	<u>355,203</u>		<u>38,354</u>
<u>\$ 210,076,397</u>	<u>\$ 12,509,277</u>	<u>\$ 1,565,468</u>	<u>\$ 3,535,961</u>	<u>\$ 184,725</u>

STATE-FUNDED JUDICIAL OPERATIONS
Schedule of Expenditures of Federal Awards (1)
For the Period October 1, 1998 through September 30, 2000

For the Fiscal Year Ended September 30, 1999

Federal Agency/Program	CFDA (2) Number	Pass-Through Identification Number	Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
<u>U.S. Department of Transportation</u>					
Highway Safety Cluster					
Pass-Through Programs:					
Michigan Department of State Police					
State and Community Highway Safety	20.600	AL-99-01	\$ 69,442	\$	\$ 69,442
Alcohol Traffic Safety and Drunk Driving Prevention					
Incentive Grants	20.601	AL-99-01	118,598		118,598
Total U.S. Department of Transportation			\$ 188,040	\$ 0	\$ 188,040
<u>U.S. Department of Agriculture</u>					
Direct Program:					
State Mediation Grants	10.435		\$ 21,086	\$ 43,176	\$ 64,262
Total U.S. Department of Agriculture			\$ 21,086	\$ 43,176	\$ 64,262
<u>U.S. Department of Justice</u>					
Pass-Through Programs:					
Michigan Department of State Police					
National Criminal History Improvement Program	16.554	96-27200-27430	\$ 45,831	\$	\$ 45,831
Enforcing Underage Drinking Laws Program	16.727	AL-99-01	26,595		26,595
Total U.S. Department of Justice			\$ 72,426	\$ 0	\$ 72,426
<u>U.S. Department of Education</u>					
Pass-Through Program:					
Department of Education					
Special Education: Grants to States	84.027	0499-2D33	\$ 70,471	\$	\$ 70,471
Special Education: Grants to States	84.027	010490-2D33			0
Total U.S. Department of Education			\$ 70,471	\$ 0	\$ 70,471
<u>U.S. Department of Health and Human Services</u>					
Direct Program:					
State Court Improvement Program	93.586		\$ 298,573	\$ 120,915	\$ 419,488
Pass-Through Programs:					
Family Independence Agency					
Temporary Assistance for Needy Families	93.558	IA 00-002	\$ 482,473	\$	\$ 482,473
Child Support Enforcement	93.563	IA-85-021	\$ 349,869	\$	\$ 349,869
Child Support Enforcement	93.563	IA-00-003			0
Total Child Support Enforcement			\$ 349,869	\$ 0	\$ 349,869
Grants to States for Access and Visitation Programs	93.597	IA-99-002	\$ 49,636	\$ 148,631	\$ 198,267
Grants to States for Access and Visitation Programs	93.597	IA-00-002			0
Total Grants to States for Access and Visitation Programs			\$ 49,636	\$ 148,631	\$ 198,267
Foster Care: Title IV-E	93.658	IA-96-005	\$	\$	\$ 0
Total Pass-Through Programs			\$ 881,978	\$ 148,631	\$ 1,030,609
Total U.S. Department of Health and Human Services			\$ 1,180,551	\$ 269,546	\$ 1,450,097
Total Expenditures of Federal Awards			\$ 1,532,574	\$ 312,722	\$ 1,845,296

(1) Basis of Presentation: This schedule includes the federal grant activity of State-funded judicial operations and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial schedules.

(2) CFDA is defined as *Catalog of Federal Domestic Assistance*.

For the Fiscal Year Ended September 30, 2000			
Directly Expended	Distributed to Subrecipients	Total Expended and Distributed	Total Expended and Distributed for the Two-Year Period
\$ 23,257	\$	\$ 23,257	\$ 92,699
<u>42,424</u>		<u>42,424</u>	<u>161,022</u>
<u>\$ 65,681</u>	<u>\$ 0</u>	<u>\$ 65,681</u>	<u>\$ 253,721</u>
\$ 15,950	\$ 48,846	\$ 64,796	\$ 129,058
<u>\$ 15,950</u>	<u>\$ 48,846</u>	<u>\$ 64,796</u>	<u>\$ 129,058</u>
\$ 558,652	\$	\$ 558,652	\$ 604,483
34,319		34,319	60,914
<u>\$ 592,971</u>	<u>\$ 0</u>	<u>\$ 592,971</u>	<u>\$ 665,397</u>
\$ 28,590	\$ 23,350	\$ 51,940	\$ 122,411
9,438		9,438	9,438
<u>\$ 38,028</u>	<u>\$ 23,350</u>	<u>\$ 61,378</u>	<u>\$ 131,849</u>
<u>\$ 202,674</u>	<u>\$ 78,458</u>	<u>\$ 281,132</u>	<u>\$ 700,620</u>
\$ 333,687	\$	\$ 333,687	\$ 816,160
\$	\$	\$ 0	\$ 349,869
<u>289,823</u>		<u>289,823</u>	<u>289,823</u>
<u>\$ 289,823</u>	<u>\$ 0</u>	<u>\$ 289,823</u>	<u>\$ 639,692</u>
\$ 31,434	\$ 32,228	\$ 63,662	\$ 261,929
5,699	131,623	137,322	137,322
<u>\$ 37,133</u>	<u>\$ 163,851</u>	<u>\$ 200,984</u>	<u>\$ 399,251</u>
\$ 144,726	\$	\$ 144,726	\$ 144,726
\$ 805,369	\$ 163,851	\$ 969,220	\$ 1,999,829
<u>\$ 1,008,043</u>	<u>\$ 242,309</u>	<u>\$ 1,250,352</u>	<u>\$ 2,700,449</u>
<u>\$ 1,720,673</u>	<u>\$ 314,505</u>	<u>\$ 2,035,178</u>	<u>\$ 3,880,474</u>

OTHER SCHEDULES

STATE-FUNDED JUDICIAL OPERATIONS
Summary Schedule of Prior Audit Findings
As of September 30, 2000

PRIOR AUDIT FINDINGS RELATED TO THE FINANCIAL SCHEDULES

Audit Findings That Have Been Fully Corrected:

Audit Period:	October 1, 1996 through September 30, 1998
Finding Number:	059901
Finding Title:	Liabilities
Finding:	The Judiciary's liabilities were overstated for fiscal years 1997-98 and 1996-97.
Comments:	The Judiciary has corrected the liabilities balance.
Audit Period:	October 1, 1996 through September 30, 1998
Finding Number:	059902
Finding Title:	Indirect Costs
Finding:	The Judiciary did not charge indirect costs to the Temporary Assistance for Needy Families (TANF) and State Court Improvement Program (SCIP) federal grants as required by State law.
Comments:	The Judiciary started charging indirect costs to federal grants using an indirect rate effective October 1, 2000.
Audit Period:	October 1, 1996 through September 30, 1998
Finding Number:	059903
Finding Title:	Cash Management
Finding:	The Judiciary did not obtain timely reimbursement of federal program expenditures paid with General Fund money.
Comments:	The Judiciary requests timely reimbursements.

PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS

Audit Findings That Have Been Fully Corrected:

Audit Period: October 1, 1996 through September 30, 1998
Finding Number: 059904
Finding Title: Payroll Certifications
Finding: The Judiciary did not prepare certifications for employees who worked solely on the TANF and SCIP federal grants in fiscal year 1997-98 in accordance with federal requirements.
Comments: The Judiciary obtains certifications from employees who worked solely on federal programs, including TANF and SCIP.

Audit Period: October 1, 1996 through September 30, 1998
Finding Number: 059905
Finding Title: Allowed Activities
Finding: The Judiciary charged unallowable costs to the TANF federal grant.
Comments: The Judiciary attempted to obtain federal approval for the costs.

Audit Period: October 1, 1996 through September 30, 1998
Finding Number: 059906
Finding Title: Grant Payments
Finding: The Judiciary did not comply with federal requirements specifying when payments are allowed.
Comments: The Judiciary will obtain approved variances to the federal requirements in writing.

STATE-FUNDED JUDICIAL OPERATIONS

Corrective Action Plan

As of May 11, 2001

FINDINGS RELATED TO THE FINANCIAL SCHEDULES

There were no findings related to the financial schedules for fiscal years 1998-99 and 1999-2000.

FINDINGS RELATED TO FEDERAL AWARDS

Finding Number:	050101
Finding Title:	Foster Care Review Board Activities
Management Views:	The Judiciary agrees with the recommendation and has complied.
Corrective Action:	The Judiciary has a grant agreement with the Family Independence Agency to provide Title IV-E funding to cover the costs of the expanded Foster Care Review Board activities.
Anticipated Completion Date:	October 1, 2000
Responsible Individual:	E. Ronald Stadnika, Finance Director

Glossary of Acronyms and Terms

adverse opinion	An auditor's opinion in which the auditor states that the financial schedules and/or financial statements are not fairly presented in conformity with the disclosed basis of accounting or are not fairly presented in relation to the primary financial schedules and/or financial statements, or an auditor's opinion in which the auditor states that the audited agency did not comply, in all material respects, with the cited requirements that are applicable to each major federal program.
CFDA	<i>Catalog of Federal Domestic Assistance.</i>
DOE	U.S. Department of Education.
DOJ	U.S. Department of Justice.
DOT	U.S. Department of Transportation.
FCRB	Foster Care Review Board.
FIA	Family Independence Agency.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are fairly presented in conformity with the disclosed basis of accounting.
HHS	U.S. Department of Health and Human Services.
IDG	interdepartmental grant.
internal control	A process, effected by an entity's management and other personnel, designed to provide reasonable assurance

regarding the achievement of objectives in the following categories: (1) reliability of financial reporting, (2) effectiveness and efficiency of operations, and (3) compliance with applicable laws and regulations.

low-risk auditee

As provided for in OMB Circular A-133, an auditee that may qualify for reduced federal audit coverage if it receives an annual Single Audit and it meets other criteria related to prior audit results. In accordance with State statute, this Single Audit was conducted on a biennial basis; consequently, this auditee is not considered a low-risk auditee.

material misstatement

A misstatement in the financial schedules and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the results of operations or cash flows in conformity with the disclosed basis of accounting.

material
noncompliance

Violations of laws and regulations that could have a direct and material effect on major federal programs or on financial schedule and/or statement amounts.

material weakness

A condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that either misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules and/or financial statements being audited or noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

MSP

Michigan Department of State Police.

OASI

Old Age Survivor's Insurance.

OMB

U.S. Office of Management and Budget.

questioned costs

A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

reportable condition

A matter coming to the auditor's attention relating to a significant deficiency in the design or operation of internal control that, in the auditor's judgment, could adversely affect the entity's ability to (1) record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules and/or financial statements or (2) administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants.

Single Audit

A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, a Single Audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with OMB Circular A-133.

<i>SOMCAFR</i>	<i>State of Michigan Comprehensive Annual Financial Report.</i>
TANF	Temporary Assistance to Needy Families.
unqualified opinion	An auditor's opinion in which the auditor states, without reservation, that the financial schedules and/or financial statements are fairly presented in conformity with the disclosed basis of accounting or are fairly presented in relation to the primary financial schedules and/or statements or an auditor's opinion in which the auditor states, without reservation, that the audited agency complied, in all material respects, with the cited requirements that are applicable to each major federal program.
USDA	U.S. Department of Agriculture.